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February 7, 2011

Employer Code: 1060
Job Number: P10-020

Esparto Community Services District
Ron Loudon, General Manager
P.O.Box 349
Esparto, CA 95627

Dear Mr. Loudon:

Enclosed is our final report on the results of the public agency review completed for the Esparto Community Services District. The Esparto Community Services District appropriately enrolled individuals, accurately reported member earnings, and provided the required Health and Retirement documentation for the employees included in our test sample. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker
Margaret Junker, CPA, CIA, CIDA
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Don Martinez, Interim Chief, EMHS, CalPERS
Honorable Board Members, Esparto Community Services District

Esparto Community Services District



Public Agency Review



Office of Audit Services

**Employer Code: 1060
Job Number: P10-020**

February 2011

ESPARTO COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
District Background.....	1
Scope.....	1
Conclusion.....	2
CalPERS Background.....	Appendix A
Objectives	Appendix B

ESPARTO COMMUNITY SERVICES DISTRICT

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the Esparto Community Services District's (District) enrolled individuals, member compensation, required health and retirement documentation and records for individuals included in our test samples. The District appropriately enrolled individuals, accurately reported member earnings, and provided the required Health and Retirement documentation for the employees included in our test sample. No findings were noted within the scope of our review.

DISTRICT BACKGROUND

The Esparto Community Services District was formed in 1975 and is governed by a five-member Board of Directors. The District provides water, sewer, and lighting services to the community of Esparto. The District Policy and Procedures Manual and employment agreements outline all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective July 1, 1975, to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as three years for all coverage groups. The District contracted with CalPERS effective March 1, 1999, to provide health benefits to all eligible employees. CalPERS' background information is mentioned in Appendix A.

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the District's payroll reporting and member enrollment processes as these processes relate to the District's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from July 1, 2007 through June 30, 2010. The on-site fieldwork for this review was conducted on October 15, 2010 through October 18, 2010. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

ESPARTO COMMUNITY SERVICES DISTRICT

CONCLUSION

No findings were noted within the scope of our review. OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the District's payroll and health records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code. Conclusions in this report are based on information made available or otherwise obtained at the time this report was prepared.

Respectfully submitted,

Original Signed by Margaret Junker

Margaret Junker, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: February 2011

Staff: Michael Dutil, CIA, Senior Manager

Diana Thomas, CIDA, Manager

Jose Martinez

Nancy Sayers

APPENDIX A

CalPERS BACKGROUND

ESPARTO COMMUNITY SERVICES DISTRICT

BACKGROUND

California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employer's knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

APPENDIX B

OBJECTIVES

ESPARTO COMMUNITY SERVICES DISTRICT

OBJECTIVES

The objectives of this review which covers the period of July 1, 2007 through June 30, 2010, were limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures as they relate to the District's retirement and health benefits contracts with CalPERS were followed.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS performed the following procedures. Related sample sizes, sample periods and findings are listed.

1. Reviewed:
 - Contracts and subsequent amendments the District had with CalPERS
 - Correspondence files maintained at CalPERS, Board of Directors Council minutes, Policy and Procedures Manual and those employment contracts provided between the District and its employees
 - Salary, wage and benefit agreements including applicable resolutions
 - Personnel files including Personnel Action Reports
 - District (Yolo County) generated payroll information - Summary Reports and PERS listings and various other documents as necessary
 - Other documents used to specify the payrate, special compensation and benefits of represented and unrepresented employees
 - Health Benefits Program enrollment and supporting documentation files
2. Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.
3. Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' compensation.

Sample Size and Period: Reviewed payroll records and compensation reported to CalPERS for a sample of five employees who were reviewed over service periods December 2009 (12/09-4) and June 2010 (6/10-3).

Non-reportable compensation reported. No Finding.

Compensation earnable not reported. No Finding.

Compensation earnable incorrectly reported. No Finding

ESPARTO COMMUNITY SERVICES DISTRICT

4. Reviewed documents specifying payrates for sampled employees to determine whether the payrates were reported pursuant to publicly available pay schedules.

Sample Size and Period: Reviewed payroll records and compensation reported to CalPERS for a sample of five employees during service period 6/10-3. **No Finding.**

5. Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.

Sample Size and Period: Reviewed payroll records and Listing Reports submitted to CalPERS for a sample of five employees during service period 6/10-3.

Contribution code, pay code, work schedule code, service period:

No Finding.

Coverage group: **No Finding.**

Member earnings, member name, social security number: **No Finding.**

6. Reviewed the District's enrollment practices to determine whether the individuals met CalPERS membership requirements.

Temporary/part-time employees: Three part-time employees were tested to determine whether the 1,000-hour membership eligibility requirement was met, and if met, were the employees timely enrolled into CalPERS membership. **No Finding.**

Retired annuitants: The District did not employ retired annuitants during the review period so we performed no further testing. **No Finding.**

Independent contractors: The District did not utilize independent contractors during the review period so we performed no further testing. **No Finding.**

7. Reviewed the District's calculation and reporting of unused sick leave balances. No employees retired during the review period so we performed no further testing. **No Finding.**
8. Reviewed five employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program. **No Finding.**